

**STATE OF MINNESOTA  
DEPARTMENT OF COMMERCE**

Bulletin 98-1

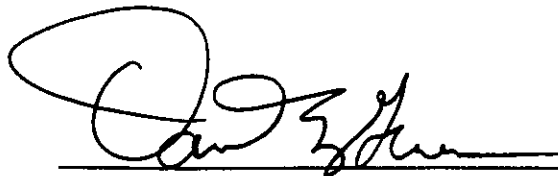
Issued this 4th day of February, 1998

To: ALL COMPANIES WRITING CROP HAIL INSURANCE IN MINNESOTA

This bulletin is an addendum to Bulletin 97-7, which relates to crop hail insurance filings for the 1998 season. The NCIS separated corn and wheat loss costs in its 1998 Minnesota Crop-Hail Insurance Final Average Loss Cost Filing. As a result of the separation, rate changes for some townships could be excessive under the procedures required by Bulletin 97-7. In order to avoid excessive rate changes, insurers may put limitations on the rate changes which would result using the unmodified NCIS FALC with catastrophe. The Department of Commerce suggests rate change limitations of +25% and -20%, by crop by township. A company may choose a wider range of limitations if it prefers, for example +50% and -40%.

Example of a limitation of +25%.

Suppose that a company has a loss cost multiplier of 1.4 and that the NCIS FALC with catastrophe for wheat in a township was 1.00 in 1997 and 2.00 in 1998. The company's rate in 1997 was \$1.40 ( $1.4 \times 1.00$ ). The unmodified rate for 1998 would be \$2.80 ( $1.4 \times 2.00$ ). Because that would mean a 100% rate increase, the company limits its new rate to \$1.75 ( $1.25 \times \$1.40$ ), which is 25% above its prior rate.



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Commissioner of Commerce